



# Annual Report 2006

Votorantim Celulose e Papel S.A.

**Consolidated Financial Statements  
as at December 31, 2006 and 2005,  
and for the Three Years Ended  
December 31, 2006 and  
Report of Independent Registered  
Public Accounting Firm**



# Report of Independent Registered Public Accounting Firm

## To the Board of Directors and Shareholders Votorantim Celulose e Papel S.A.

We have completed an integrated audit of Votorantim Celulose e Papel S.A. and its subsidiaries (together the "Company") 2006 consolidated financial statements and of its internal control over financial reporting as of December 31, 2006 and audits of its 2005 and 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits and the report of other auditors, are presented below.

### Consolidated financial statements

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Votorantim Celulose e Papel S.A. and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Aracruz Celulose S.A., an affiliate, the investment in which totaled US\$ 291 million and US\$ 262 million at December 31, 2006 and 2005, respectively, and for which the equity in earnings of affiliate, included in net income, totaled US\$ 56 million, US\$ 42 million and US\$ 28 million for each of the three years in the period ended December 31, 2006. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Aracruz Celulose S.A., is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

## Votorantim Celulose e Papel S.A.

### Internal control over financial reporting

Also, in our opinion, management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, appearing under Item 15, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control – on Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting.

Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

São Paulo, January 30, 2007

**PricewaterhouseCoopers**  
**Auditores Independentes**

# Votorantim Celulose e Papel S.A.

## Consolidated Balance Sheets at December 31 In millions of U.S. dollars, except number of shares

Assets	2006	2005
<b>Current assets</b>		
Cash and cash equivalents	405	261
Available for sale securities	365	446
Trade accounts receivable, net	201	212
Inventories	198	157
Recoverable taxes	94	57
Deferred income tax	49	7
Long-lived assets held for sale	15	
Other	20	24
	<b>1,347</b>	<b>1,164</b>
Investment in affiliates, including goodwill	900	596
Property, plant and equipment, net	1,945	1,758
<b>Other assets</b>		
Recoverable taxes	25	31
Deferred income tax	79	89
Judicial deposits	97	87
Other	11	6
	<b>212</b>	<b>213</b>
	<b>4,404</b>	<b>3,731</b>
<b>Liabilities and shareholders' equity</b>	<b>2006</b>	<b>2005</b>
<b>Current liabilities</b>		
Trade payables	111	64
Short-term debt	242	132
Current portion of long-term debt	170	79
Unrealized loss from currency interest rate swaps	50	6
Payroll, profit sharing and related charges	20	20
Taxes on income and other taxes	34	21
Interest attributable to capital payable	129	103
Liabilities associated with long-lived assets classified as held for sale	1	
Other	23	20
	<b>780</b>	<b>445</b>
<b>Long-term liabilities</b>		
Long-term debt	1,129	1,285
Unrealized loss from currency interest rate swaps	44	71
Accrued liabilities for legal proceedings	152	172
Post-retirement benefits	24	21
	<b>1,349</b>	<b>1,549</b>
<b>Commitments and contingencies (Note 15)</b>		
<b>Shareholders' equity</b>		
Preferred shares, no par value, 280,000,000 shares authorized, 98,443,055 shares issued and outstanding (2005 – 85,911,046)	953	785
Common shares, no par value, 140,000,000 shares authorized, 105,702,452 shares issued and outstanding	1,053	1,053
Additional paid-in capital	35	29
Treasury shares, at cost, 2006 - 31,998 preferred shares (2005 – 1,081,500 preferred shares)	(1)	(13)
Appropriated retained earnings	86	72
Unappropriated retained earnings	694	487
Accumulated other comprehensive deficit		
Cumulative translation adjustments	(545)	(687)
Net unrealized gains on available for sale securities		11
	<b>2,275</b>	<b>1,737</b>
	<b>4,404</b>	<b>3,731</b>

The accompanying notes are an integral part of the consolidated financial statements.

# Votorantim Celulose e Papel S.A.

## Consolidated Statements of Income

### Year Ended December 31

In millions of U.S. dollars, except number of shares

	2006	2005	2004
<b>Net operating revenue</b>			
Domestic sales (net of sales taxes: 2006 - US\$ 222; 2005 - US\$ 183 and 2004 - US\$ 119)	685	564	512
Export sales	632	566	498
	<b>1,317</b>	<b>1,130</b>	<b>1,010</b>
<b>Operating costs and expenses</b>			
Cost of sales	813	654	518
Selling and marketing	136	138	121
General and administrative	63	55	40
Other, net	20	36	6
	<b>1,032</b>	<b>883</b>	<b>685</b>
<b>Operating income</b>	<b>285</b>	<b>247</b>	<b>325</b>
<b>Non-operating income (expense)</b>			
Financial income	166	79	40
Financial expense	(148)	(119)	(69)
Foreign exchange gain (loss) and unrealized gain (loss) on swaps, net	(4)	(5)	12
	<b>14</b>	<b>(45)</b>	<b>(17)</b>
<b>Income before taxes on income and equity in affiliates</b>	<b>299</b>	<b>202</b>	<b>308</b>
<b>Current income tax expense</b>			
Domestic	(3)	(45)	(47)
Foreign	(22)	(6)	(6)
Deferred income tax benefit	21	59	17
<b>Income before equity in affiliates</b>	<b>295</b>	<b>210</b>	<b>272</b>
Equity in earnings of affiliates	77	54	31
<b>Net income</b>	<b>372</b>	<b>264</b>	<b>303</b>
Net income applicable to preferred shares	188	124	143
Net income applicable to common shares	184	140	160
<b>Net income</b>	<b>372</b>	<b>264</b>	<b>303</b>
<b>Basic and diluted earnings - in U.S. dollars</b>			
Per preferred share or ADS	1.97	1.46	1.67
Per common share	1.79	1.33	1.51
<b>Weighted average number of shares outstanding (thousand)</b>			
Preferred	92,240	85,451	85,773
Common	105,702	105,702	105,702

# Votorantim Celulose e Papel S.A.

## Consolidated Statements of Cash Flows

### Years Ended December 31

#### In millions of U.S. dollars

	2006	2005	2004
<b>Cash flows from operating activities</b>			
Net income	372	264	303
Adjustments to reconcile net income to cash provided by operating activities			
Unrealized foreign exchange (gain) loss, net	4	5	(12)
Equity in earning of affiliates	(77)	(54)	(31)
Interest attributable to capital and dividends received	15	11	22
Deferred income tax	(21)	(59)	(17)
Depreciation and depletion	193	117	89
Loss on disposal of property, plant and equipment	14	9	5
Decrease (increase) in assets			
Trade accounts receivable	6	(4)	(17)
Inventories	(19)	(6)	(21)
Other assets	(33)	(38)	(15)
Decrease/increase in contingencies	(36)	56	46
Decrease in other liabilities	(36)	(67)	(75)
<b>Net cash provided by operating activities</b>	<b>382</b>	<b>234</b>	<b>277</b>
<b>Cash flows from investing activities</b>			
Held-to-maturity securities purchased, net of proceeds on sale		6	48
Available for sale securities			
Purchase	(431)	(259)	
Proceeds from sale and maturities	602	149	
Acquisition of an interest in an affiliate (Note 4 (a))	(36)	(275)	
Acquisition of property, plant and equipment	(248)	(247)	(218)
<b>Net cash used in investing activities</b>	<b>(113)</b>	<b>(626)</b>	<b>(170)</b>
<b>Cash flows from financing activities</b>			
Short-term debt			
Borrowings	603	458	352
Repayments	(441)	(403)	(310)
Long-term debt			
Third parties			
Borrowings	134	869	347
Repayments	(299)	(324)	(558)
Related parties			
Borrowings	45	43	46
Repayments	(56)	(39)	(30)
Treasury shares			
Acquisition		(12)	(2)
Sale	18	1	1
Dividends paid	(111)	(88)	(104)
<b>Net cash provided by (used in) financing activities</b>	<b>(107)</b>	<b>505</b>	<b>(258)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(18)</b>	<b>(3)</b>	<b>12</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>144</b>	<b>110</b>	<b>(139)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>261</b>	<b>151</b>	<b>290</b>
<b>Cash and cash equivalents at end of year</b>	<b>405</b>	<b>261</b>	<b>151</b>
<b>Supplemental cash flow information</b>			
Cash paid during the year for			
Income tax	14	43	34
Interest	98	65	61
<b>Supplemental non cash flow information</b>			
Income tax offset with tax credits	12		
Issue of shares upon acquisition of an interest in an affiliate (Note 4(a))	168		

The accompanying notes are an integral part of the consolidated financial statements.

# Votorantim Celulose e Papel S.A.

## Consolidated Statements of Changes in Shareholders' Equity In millions of U.S. dollars, except number of shares

	2006	2005	2004
<b>Preferred shares</b>			
At beginning of year	785	785	553
Transferred from unappropriated retained earnings			232
Capital increase	168		
<b>At end of year</b>	<b>953</b>	<b>785</b>	<b>785</b>
<b>Common shares</b>			
At beginning and end of year	1,053	1,053	767
Transferred from unappropriated retained earnings			286
<b>At end of year</b>	<b>1,053</b>	<b>1,053</b>	<b>1,053</b>
<b>Additional paid-in-capital</b>			
At beginning of year	29	29	29
Gain on sale of treasury shares	6		
<b>At end of year</b>	<b>35</b>	<b>29</b>	<b>29</b>
<b>Treasury shares</b>			
At beginning of year	(13)	(2)	(1)
Preferred shares sold (2006 – 1,049,502; 2005 – 126,400 and 2004 – 114,500)	12	1	1
Preferred shares purchased (2005 – 1,050,700 and 2004 – 263,800)		(12)	(2)
<b>At end of year</b>	<b>(1)</b>	<b>(13)</b>	<b>(2)</b>
<b>Appropriated retained earnings</b>			
At beginning of year	72	60	46
Transferred from unappropriated retained earnings	14	12	14
<b>At end of year</b>	<b>86</b>	<b>72</b>	<b>60</b>
<b>Unappropriated retained earnings</b>			
At beginning of year	487	440	773
Net income	372	264	303
Transferred to preferred shares			(232)
Transferred to common shares			(286)
Transferred to appropriated retained earnings	(14)	(12)	(14)
Dividends and interest attributed to capital			
Preferred	(76)	(97)	(49)
Common	(75)	(108)	(55)
<b>At end of year</b>	<b>694</b>	<b>487</b>	<b>440</b>
<b>Cumulative translation adjustments</b>			
At beginning of year	(687)	(867)	(981)
Gain for the year	142	180	114
<b>At end of year</b>	<b>(545)</b>	<b>(687)</b>	<b>(867)</b>
<b>Net unrealized gains on available for sale securities</b>			
At beginning of year (2004 in affiliates)	11		(1)
Realized (transferred to results of operations)	(11)		1
Gain for the year (2005 - net of tax of US\$ 6)		11	
<b>At end of year</b>		<b>11</b>	
<b>Shareholders' equity at end of year</b>	<b>2,275</b>	<b>1,737</b>	<b>1,498</b>
<b>Comprehensive income</b>			
Net income	372	264	303
Unrealized gains on available for sale securities		11	
Translation adjustments	142	180	114
<b>Comprehensive income</b>	<b>514</b>	<b>455</b>	<b>417</b>

# Votorantim Celulose e Papel S.A.

## Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

### 1. Operations

Votorantim Celulose e Papel S.A. and its subsidiaries (the "Company," "VCP" or "we") is a limited liability company constituted in accordance with the laws of the Federative Republic of Brazil and headquartered in the state of São Paulo.

We produce eucalyptus pulp which we use in our own integrated paper manufacturing facilities or, to a lesser extent, sell in the domestic and foreign markets. We also have forestry operations which produce the pulp wood required for our production. Our business has experienced, and is likely to continue to experience, cycles relating to available industry capacity and general industry economic conditions. Our sales (volumes and prices) are affected by such conditions which are beyond our control. We are a member of the Votorantim Group, which has other interests in Brazil and abroad, principally in cement, metallurgy, agribusiness, chemicals and financial services.

Our preferred shares are traded on the São Paulo Stock Exchange under the symbol "VCPA4." Our American Depositary Shares ("ADSs") are traded on the New York Stock Exchange under the symbol "VCP". Each ADS represents one of our preferred shares.

### 2. Significant Accounting Policies

#### A) Basis of presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which differ in certain respects from the accounting principles applied by the Company in its financial statements prepared in accordance with accounting practices generally accepted in Brazil ("Brazilian GAAP") as filed with the Comissão de Valores Mobiliários (Brazilian Securities Commission or "CVM"), or for other statutory purposes in Brazil.

#### B) Translation of financial statements

We transact the majority of our business in Brazilian *Reais* (R\$) and, therefore, have adopted the Brazilian *Real* as the functional currency and have selected the United States dollar as our reporting currency. The U.S. dollar amounts for all years presented have been translated from *Reais* amounts in accordance with the criteria set forth in Statement of Financial Accounting Standards ("SFAS") 52, "Foreign Currency Translation." Assets and liabilities are translated from the functional currency to the reporting currency using the official exchange rates reported by the Brazilian Central Bank at the balance sheet date (December 31, 2006 - US\$ 1.00 : R\$ 2.1380 - December 31, 2005 - US\$ 1.00 : R\$ 2.3407; December 31, 2004 - US\$ 1.00 : R\$ 2.6544).

Revenue, expenses and gains and losses are translated from the functional currency to the reporting currency using the monthly weighted-average exchange rates for the year. Capital accounts are recorded at historical exchange rates. Translation gains and losses are recorded in the Cumulative Translation Adjustments account ("CTA") in shareholders' equity.

# Votorantim Celulose e Papel S.A.

## Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

### C) Principles of consolidation

Our consolidated financial statements include the accounts of VCP and our directly and indirectly controlled subsidiaries. The more significant subsidiaries are the following: VCP Exportadora e Participações S.A. ("VEP") which was merged into VCP on April 1, 2006, Normus Empreendimentos e Participações Ltda., Newark Financial Inc. ("Newark"), VCP North America Inc., VCP Trading N.V. and VCP Overseas Holding KFT, all of which are wholly owned. Significant intercompany accounts and transactions have been eliminated in the consolidation. The 12.35% owned equity investee, Aracruz Celulose S.A. ("Aracruz"), in which we acquired our interest during 2001 and our 50% owned equity investees, Ripasa S.A. Celulose e Papel ("Ripasa") and Voto - Votorantim Overseas Trading Operations IV Limited. ("VOTO IV") are accounted for using the equity method.

On March 31, 2005, via a 50% owned joint venture Ripasa Participações S.A. ("Ripar"), Ripar acquired a 46.06% interest in the total capital and 77.59% interest in the voting capital of Ripasa, a Brazilian pulp and paper producer. On May 24, 2006, Ripasa's minority preferred non-voting shareholders exchanged their interests in Ripasa for shares in the joint venture partners of Ripar (Note 4(a)) which, among other things, results in VCP indirectly owning 50% of Ripasa, via Ripar and subsequently their assets were distributed to VCP and Suzano, in equal parts (Note 4(a)). On July 4, 2006, the joint venture partners paid US\$ 71 to a group of Ripasa's minority preferred non-voting shareholders. We account for our equity interest in Ripasa using financial information with a one month lag.

### D) Cash and cash equivalents

We consider all highly liquid investments with a maturity at acquisition of three months or less to be cash equivalents.

### E) Available for sale securities

We consider debt securities as available for sale securities when we intend to sell the securities before its maturity. Available for sale securities are presented based on quoted market prices and the unrealized gain or loss, net of taxes, is recorded in shareholders' equity until the maturity or sale date, when the gain or loss is recorded in the statement of income. Interest income, including amortization of any premium or discount arising at acquisition, is recognized as "financial income" in the statement of income.

### F) Inventories

Inventories, including timber, are stated at average acquisition or production cost, which is lower than market.

# Votorantim Celulose e Papel S.A.

## Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

### G) Investment in affiliates, including goodwill

Investments in affiliates in which we have the ability to exercise significant influence over the operating and financial policies are accounted for under the equity method. Our investment in affiliates is presented together with goodwill resulting on the acquisitions of such investments.

Goodwill on the acquisition of affiliates with indefinite lives is tested annually for impairment.

### H) Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition or construction, including interest during the construction period. Expenditures which materially extend the useful lives of the existing facilities and equipment are capitalized. We depreciate property, plant and equipment using the straight-line method at rates we judge to be compatible with the useful lives, principally 10 years for furniture and fixtures and 5 years for vehicles. Maintenance costs are expensed as incurred.

In May 2006, based on an independent appraisal, the machinery, equipment and installations total useful lives were modified from 25 years to 18 years and 3 months.

Depletion of forests is computed on the unit-of-production method, based on the volume of timber harvested in each period. Software costs capitalized are amortized on a straight-line basis over 5 years.

Forest development costs, primarily project implementation costs (preparation of soil, planting, pest control and clearing etc.) and on-going development costs are capitalized as incurred. As a result of improvements in forest management techniques, including genetic improvement in trees, we harvest and replant our forests approximately every seven years. Capitalized costs are expensed at the time of each harvest.

We review our property, plant and equipment for possible impairment whenever events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable on the basis of undiscounted future cash flows. The reviews are carried out at the lowest level of groups of assets to which we are able to attribute identifiable future cash flows. Asset groups are forestry projects or production facilities for paper and pulp. We adjust the net book value of the underlying assets if the sum of the expected future cash flows is less than book value. These reviews to date have not indicated the need to recognize any impairment.

### I) Income taxes

Brazilian taxes on income consist of federal income and social contribution taxes, the latter being a federal tax based on adjusted taxable income determined under Brazilian tax regulations. There are no taxes levied by state or local authorities on income in Brazil.

For the purposes of these financial statements, we have applied SFAS 109 "Accounting for Income Taxes," for all periods presented. The effect of adjustments made to reflect the requirements of US GAAP as well as the differences between the tax basis of non-monetary assets have been recognized as temporary differences for the purpose of recording deferred income taxes. Current and non-current deferred tax assets and liabilities are presented separately.

# Votorantim Celulose e Papel S.A.

## Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

### J) Revenues and expenses

We recognize revenue and associated costs of sales at the time our products are delivered to our customers which is when title and associated risks pass to our customers. Revenue is recorded net of sales returns of US\$ 10 in 2006 (US\$ 7 in 2005 and US\$ 6 in 2004). Our customers that purchase on credit agree to payment terms that effectively include finance charges. The finance charge on each sale is the difference between the amount the customer agrees to pay at the due date and the cash sale price. The finance charges are recognized over the payment period and are included in financial income. Recognition of revenue for our two segments and for domestic and export sales is based on the following principles:

**Paper - domestic market** - Sales are either on cash or credit terms (normally 30, 60, 90 days) or through our vendor program. Credit sales receivables are discounted to present values as our price list is dependent on the length of credit granted. Revenue is recognized when the customer takes delivery of the product either upon delivery to the customer's carrier (FOB) or premises (CIF). Sales through our vendor program are made to certain of our pre-qualifying domestic customers, and represented approximately 22% of our domestic sales in 2006 (2005 - 22%; 2004 - 21%). Under the vendor program, the customer agrees to pay the bank and the bank in turn pays us on behalf of the customer for the purchase price of the product. We guarantee full repayment of the loan for which the maximum allowable term for payment is generally 180 days, though in the case of a few customers, we extend the term to 360 days.

We estimate that for 2006, 2005 and 2004, an average of approximately 3% of our total number of regular domestic customers (approximately 22%, 22% and 21%, respectively, of total domestic sales value) obtained our guarantee for their loans.

**Paper - export market** - Export orders are normally met by own or third party warehouses located close to strategic markets. These sales are recognized when products are delivered to the carrier and risks have passed to the customer. CIF and FOB terms determine timing of revenue recognition.

**Pulp - domestic market** - Sales are primarily under credit terms which do not exceed 30 days. Revenue recognition is consistent with that applied to paper sales.

**Pulp - export market** - All export orders are normally satisfied by own or third party warehouses located close to strategic markets. These sales are recognized when products are delivered to the carrier and risks have passed to the customer.

Research and development expenses are charged to expense as incurred and totaled US\$ 1 in each of 2006, 2005 and 2004. Start-up expenses of new facilities and restructuring charges are also directly expensed. Shipping and handling costs are charged to selling and marketing expenses and totaled US\$ 79, US\$ 75 and US\$ 76 in 2006, 2005 and 2004, respectively.

### K) Comprehensive income

We report comprehensive income in accordance with SFAS 130, "Reporting Comprehensive Income," and have elected to present this in the Statement of changes in shareholders' equity. In our case, comprehensive income comprises the results of our operations, the translation adjustments included in the CTA component of shareholders' equity and the changes in the fair value of available for sale securities.

# Votorantim Celulose e Papel S.A.

## Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

### L) Earnings per share

In conformity with SFAS 128, "Earnings per Share," we have presented earnings per share for each class of shares, taking into account that the preferred shares are entitled to a dividend 10% greater than that paid to the common shares. The computation has been made as if the net income for each period will be fully distributed. Earnings may be capitalized or otherwise appropriated; consequently such earnings would no longer be available as dividends. Therefore, there is no assurance that preferred shareholders will receive a 10% premium on undistributed earnings. We may also pay dividends through interest attributed to capital in accordance with our by-laws.

### M) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Estimates are used for, but not limited to: accounting for allowance for doubtful accounts, selection of depreciable lives of assets, asset impairments, tax valuation allowances, contingencies and other similar evaluations. Actual results could differ from those estimates.

### N) Employee benefits and other related matters

In March 2000 we launched a defined contribution plan which provides pension and post-retirement benefits (Note 20). We also contribute to the Government pension, welfare and redundancy plans on behalf of our employees and these contributions are expensed as incurred. Most of our employees are members of unions, with which we enter into collective-bargaining arrangements annually. The liability for future compensation for employee vacations is accrued as earned.

We adopt SFAS 106, "Employers' Accounting for Post-retirement Benefits Other than Pensions," which requires a provision for the costs of post-retirement benefits expected to be paid to current, former or inactive employees upon retirement. Expenses relating to benefits we provide to our current employees are expensed as incurred whereas those relating to retired employees (current as well as expected in the future) and their dependents are accounted for in accordance with SFAS 106.

### O) Environmental matters

Our production facilities and forestry operations are subject to a number of environmental risks which we seek to mitigate by strict operating procedures and investments in pollution control equipment and systems. Ongoing environmental compliance expenditures are expensed as incurred and new equipment and systems are capitalized. We believe that no provision for losses related to environmental matters is currently required based on prevailing laws and regulations in Brazil.

### P) Reclassification

The statement of cash flows presentation was modified to present "Interest attributable to capital and dividends received" which was previously included in investing activities and was reclassified to operating activities. The amounts reclassified for the years ended December 31, 2005 and 2004 were R\$ 11 and R\$ 22, respectively.

## Votorantim Celulose e Papel S.A.

### Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

## 3. Recently Issued Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") recently issued a number of Statements of Financial Accounting Standards and interpretations; neither of the standards or interpretations described below had or are expected to have a material impact on the financial position and results of operations of the Company.

### A)

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments." SFAS No. 155 amends FASB Statements No. 133, "Accounting for Derivative Instruments and Hedging Activities," and No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS 155 resolves issues addressed in Statement 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets." The main topics are described below:

- Permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation.
- Clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133.
- Establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation.
- Clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives.
- Amends SFAS No. 140 to eliminate the prohibition on a qualifying special purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company believes that such pronouncement will not have effects on its consolidated financial statements.

### B)

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets." SFAS 156 amends SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which establishes, among other things, the accounting for all separately recognized servicing assets and servicing liabilities. SFAS 156 amends Statement 140 to require that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. SFAS 156 permits, but does not require, the subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value. An entity that uses derivative instruments to mitigate the risks inherent in servicing assets and servicing liabilities is required to account for those derivative instruments at fair value. Under this Statement, an entity can elect subsequent fair value measurement to account for its separately recognized servicing assets and servicing liabilities. An entity shall adopt this Statement as of the beginning of its first fiscal year that begins after September 15, 2006. Earlier adoption is permitted in certain cases.

The impact of adopting this new rule is dependent on events that could occur in future periods, and as such, an estimate of the impact cannot be determined until the event occurs in future periods.

# Votorantim Celulose e Papel S.A.

## Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

### C)

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements.

This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. According to the Board, a single definition of fair value, together with a framework for measuring fair value, should result in increased consistency and comparability in fair value measurements.

This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007.

### D)

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R)".

SFAS 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multi-employer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This Statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions.

This Statement requires an employer that is a business entity and sponsors one or more single-employer defined benefit plans to:

- Recognize the funded status of a benefit plan - measured as the difference between plan assets at fair value (with limited exceptions) and the benefit obligation - in its statement of financial position. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation.
- Recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant.
- Measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position (with limited exceptions).
- Disclose in the notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation.

An employer with publicly traded equity securities, which is the case of VCP, is required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after December 15, 2006. The Company believes that the adoption of such standard will not have material impact on its financial statements.

## Votorantim Celulose e Papel S.A.

### Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

#### E)

In June 2006, the FASB issued FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes - an interpretation of FAS 109." This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes."

This Interpretation prescribes a (more-likely-than-not) recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

This Interpretation does not change the classification requirements for deferred taxes. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. Also, following this Interpretation, the use of a valuation allowance as described in Statement 109 is not an appropriate substitute for the derecognition of a tax position. However, the requirement to assess the need for a valuation allowance for deferred tax assets based on the sufficiency of future taxable income is unchanged by this Interpretation.

The Interpretation is effective for fiscal years beginning after December 15, 2006. Earlier application is encouraged if the enterprise has not yet issued financial statements, including interim financial statements, in the period this Interpretation is adopted. The Company believes that the adoption of such Interpretation will not have impact on its financial statements.

## 4. Significant Transactions

### A) Ripasa

On November 10, 2004, we signed an agreement to acquire an interest in Ripasa through a venture with Suzano Bahia Sul Papel e Celulose S.A. ("Suzano"). The agreement was consummated on March 31, 2005 when Ripar was constituted by VCP and Suzano upon each contributing US\$ 275 in exchange for equal shareholder rights and responsibilities, including equal direct and indirect holdings in the capital of Ripasa. On March 31, 2005, Ripar acquired and paid for 129,676,966 common shares and 41,050,819 preferred shares of Ripasa, representing 77.59% of the voting share capital and 46.06% of the total stock, the *Reais* equivalent, at that date, of US\$ 550.

Pursuant to the November 10, 2004 agreement, VCP and Suzano have a call option to acquire 37,449,084 common shares and 12,388,719 preferred shares of Ripasa, representing 22.41% of the voting stock and 13.45% of the total stock for a twelve-month period starting on the fifth anniversary of the closing date, for the *Reais* equivalent, at that date, of US\$ 160 plus interest (split equally between VCP and Suzano). The shareholders of Ripasa who are party to the agreement have a put

option which may require Ripar to acquire all their common and preferred shares, representing 22.42% and 13.45% of the voting and total stock, respectively, during a period of five years from the closing date. The shareholder agreement between VCP and Suzano provides for certain rights of first refusal in relation to their respective interest in Ripar.

On July 20, 2005, the Boards of Directors of VCP, Suzano and Ripasa, approved the corporate restructuring that would allow Ripasa's minority shareholders to exchange their interests in Ripasa for VCP and Suzano stock, in equal parts. The restructuring involved two phases: (i) the merger of Ripasa into Ripar and (ii) the distribution of assets to VCP and Suzano, in equal parts. Upon completion of the restructuring, Ripasa's minority shareholders would become shareholders in VCP and Suzano, in accordance with the Protocol and Justification of Share Merger and Distribution ("Protocol") that VCP, Suzano, Ripasa and Ripar executed on July 20, 2005.

In April 2006, VCP and Suzano entered into an agreement with a group of Ripasa preferred shareholders to settle their claims which challenged Ripasa's corporate restructuring. On July 4, 2006, VCP and Suzano disbursed to the former Ripasa minority preferred shareholders R\$1.0538 for each Ripasa preferred share held by them totaling R\$ 154, equivalent, at that date, of US\$ 71 (corresponding to an additional US\$ 36 cash disbursement for VCP shares).

On May 24, 2006, the shareholders of VCP, Suzano, Ripasa and Ripar approved the corporate restructuring that allowed Ripasa's minority preferred shareholders to exchange their interests in Ripasa for VCP and Suzano shares, as per the Protocol executed on May 5, 2006. VCP issued 12,532,009 preferred shares, with no par value, to the former Ripasa shareholders for the purchase of the remaining outstanding Ripasa voting and preferred shares. As a result, VCP's preferred stock capital was increased by US\$ 168 from US\$ 785 to US\$ 953, determined based on the shares quoted market price at that date.

VCP and Suzano are jointly the sole owners of all Ripasa shares. VCP owns 50% 83,563,025 common shares and 101,759,330 preferred shares of Ripasa and accounts for its interest in Ripasa on the equity method of accounting.

This transaction is still subject to the approval of the Brazilian antitrust authorities.

Following the corporate restructuring, the separate agreement dated November 10, 2004 which established the Suzano and VCP call options, and the put option of certain former minority shareholders of Ripasa, was modified to substitute the Ripasa shares for shares in VCP and Suzano as those former Ripasa minority shareholders had exchanged their shares of Ripasa for shares in VCP and Suzano. Accordingly, VCP has a call option to acquire 3,124,139 of its own non-redeemable preferred shares during a twelve-month period starting on March 31, 2010, for the *Reais* equivalent, at that date, of US\$ 80 plus Brazilian market interest rates beginning from March 31, 2005 (on December 31, 2006, that amount, including interest, totaled US\$ 133). The former shareholders of Ripasa, now shareholders of VCP, who are party to the agreement, have a put option which may require VCP to acquire all their non-redeemable preferred shares during a period of five years through March 31, 2010. According to the agreement, as a required preceding condition, the put/call options can only be exercised in case the underlying shares are free of liens and encumbrances.

As the VCP shares held by the former Ripasa minority shareholders party to the agreement are subject to liens and encumbrances under legal proceedings which are not expected to be released prior to the expiry of the put/call options, the fair value of the derivative instruments, accounted for under SFAS No. 133 - "Accounting for Derivative Instruments and Hedging Activities"; is not material to Company's financial statements as of December 31, 2006. The Company will mark to market these options with charges to the statements of income at every reporting period.

## B) Asset exchange

On September 19, 2006, VCP entered into an agreement with International Paper Investments (Holland) B.V. ("International Paper") to exchange industrial and forestry assets between the two entities. Under the terms of the agreement, VCP will transfer to International Paper its pulp and paper plant located in the city of Luiz Antonio (State of São Paulo) and the plant's related timberlands. International Paper will in turn, transfer to VCP assets used for the production of eucalyptus pulp, including: land, forests, and all rights related to an eucalyptus pulp mill development and construction project, amounting to US\$ 1,150, located in the city of Três Lagoas (State of Mato Grosso do Sul).

The asset exchange transaction is expected to be concluded by February 1, 2007.

## Votorantim Celulose e Papel S.A.

### Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

#### C) Announced intention to sell plant

On September 4, 2006, the Company announced its intention to sell one of its paper plants, located in the municipality of Mogi das Cruzes in the State of São Paulo. The sales of the Mogi das Cruzes paper plant represented 2% of the Company total net sales in 2006.

The Company has assessed its plan to sell this plant under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," and has concluded that, at December 31, 2006, it meets all the criteria required by SFAS 144, to classify and account for the plant as an asset held for sale, in connection with discussions currently being held with prospective buyers.

The carrying amount, as of December 31, 2006, of the major classes of assets and liabilities included as part of this disposal group may be identified as follow:

Description	2006
Inventories	4
Property, plant and equipment, net	11
<b>Total assets</b>	<b>15</b>
Costs with employers and others liabilities	1
<b>Total liabilities</b>	<b>1</b>

No impairment loss has been recognized in connection with the classification of the plant as long-lived assets held for sale. The statement of income and cash flows effects are not material.

## 5. Income Taxes

Income taxes in Brazil include federal income tax and social contribution. The composite tax rate on adjusted taxable income is 34%. From 2001 to 2004 we elected to calculate and pay our income taxes based on the provisions of REFIS (an estimated tax basis which is based on a percentage of net sales adjusted by financial income and other income). As from 2005, taxes on income are based on adjusted taxable income determined under Brazilian tax regulations.

# Votorantim Celulose e Papel S.A.

## Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

### A) Income tax analysis

The statutory rate applied to income before taxes is reconciled to income tax expense as follows:

	2006	2005	2004
<b>Income before taxes on income</b>	<b>299</b>	<b>202</b>	<b>308</b>
Income tax expense at statutory tax rate - 34%	(102)	(69)	(105)
Reconciliation of statutory to effective rate			
Effect of REFIS election			69
Benefit from interest attributable to capital	51	42	
Difference in foreign income tax rates and other permanent differences	47	35	
<b>Income tax (expense) benefit</b>	<b>(4)</b>	<b>8</b>	<b>(36)</b>

### B) Analysis of deferred tax balances

	2006	2005
<b>Deferred tax assets</b>		
Tax effects on impairment of Aracruz	46	46
Cross currency interest rate swap contracts	38	30
Provisions	24	28
Tax loss carryforwards	10	7
Post-retirement benefits	8	7
US GAAP adjustments and others	2	1
<b>Total deferred tax assets</b>	<b>128</b>	<b>119</b>
<b>Deferred tax liabilities</b>		
Accelerated depreciation and US GAAP adjustments		(17)
Tax effect on unrealized gains on available for sale securities		(6)
<b>Total deferred tax liabilities</b>		<b>(23)</b>
<b>Net deferred tax assets</b>	<b>128</b>	<b>96</b>
Less: current portion	(49)	(7)
<b>Non-current portion</b>	<b>79</b>	<b>89</b>

We recognize deferred tax assets and liabilities based on the temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities. If we or one of our subsidiaries operate at a loss or are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period over which the underlying temporary differences become taxable or deductible, we evaluate the need to establish a valuation allowance against all or a significant portion of our deferred tax assets resulting in an increase in our effective tax rate.

## Votorantim Celulose e Papel S.A.

Notes to the Consolidated Financial Statements  
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### 6. Available for Sale Securities

	2006	2005
<b>Denominated in Reais</b>		
Credit linked notes	294	30
Foreign Government Bonds	67	54
FIDC (Fundo de Investimento em Direitos Creditórios)	4	
Securities		207
<b>Denominated in U.S. dollars</b>		
Brazilian Government Bonds		155
<b>Total</b>	<b>365</b>	<b>446</b>

### 7. Trade Accounts Receivable

	2006	2005
Domestic receivables	109	124
Export receivables, denominated in U.S. dollars	100	95
Allowance for doubtful accounts	(8)	(7)
	<b>201</b>	<b>212</b>

No single customer represented more than 10% of our trade accounts receivables balance or net sales.

### 8. Inventories

	2006	2005
Finished products	101	64
Work in process	10	8
Raw materials and supplies	86	82
Imports in transit and other	5	3
	<b>202</b>	<b>157</b>
Inventories transferred to held for sale	(4)	
	<b>198</b>	<b>157</b>

# Votorantim Celulose e Papel S.A.

Notes to the Consolidated Financial Statements  
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## 9. Investment in significant affiliated company

### A) Aracruz Celulose S.A.

The Company accounts for its investment in Aracruz using the equity method of accounting. At December 31, 2006 the Company's investment in Aracruz amounted to US\$ 291. Included in the investment balance is unamortized goodwill of US\$ 19. In 2006, the Company recorded equity in earnings for this investee of US\$ 56 (2005 - gain of US\$ 42; 2004 - gain of US\$ 28).

### B) Ripasa S.A. Celulose e Papel

The Company accounts for its investment in Ripasa using the equity method of accounting using financial information with a one month lag. At December 31, 2006 the Company's investment in Ripasa amounted to US\$ 601. Included in the investment balance is unamortized goodwill of US\$ 168. In 2006, the Company recorded equity in earnings for this investee of US\$ 19 (2005 - US\$ 10).

Ripasa and Aracruz's condensed Balance Sheet and condensed Statement of Income for the three years then ended are as follows:

	Ripasa(i)	
	2006	2005
Current assets	327	296
Property, plant and equipment, and other assets	1,258	1,185
Current liabilities	170	179
Long-term debt (long-term portion)	236	240
Other long-term liabilities	315	316
	<b>864</b>	<b>746</b>

	Ripasa(i)	
	2006	2005
Net sales	573	507
Operating income	67	39
Net income	55	38

	Aracruz(ii)	
	2006	2005
Current assets	1,200	1,095
Property, plant and equipment, and other assets	2,796	2,669
Current liabilities	287	485
Long-term debt (long-term portion)	1,155	1,011
Other long-term liabilities	352	304
	<b>2,202</b>	<b>1,964</b>

	Aracruz(ii)		
	2006	2005	2004
Net sales	1,681	1,345	1,167
Operating income	499	447	357
Net income	455	341	227

(i) 50% ownership interest; (ii) 12.35% ownership interest.

## Votorantim Celulose e Papel S.A.

Notes to the Consolidated Financial Statements  
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### 10. Property, Plant and Equipment

	2006	2005
Land	191	155
Buildings	161	138
Machinery, equipment and installations	1,609	1,393
Forests	379	315
Other	186	174
Construction in progress	122	93
	<b>2,648</b>	<b>2,268</b>
Accumulated depreciation and depletion	(703)	(510)
	<b>1,945</b>	<b>1,758</b>

In May 2006, the average estimates of total useful lives of the machinery, equipment and installations were reduced from 25 years to 18 years and 3 months. As a consequence, the depreciation expense increased in the year ended December 31, 2006 by US\$ 65 if compared to the year ended December 31, 2005 (2006 effect on net income per average: preferred shares US\$ 0.70; common shares US\$ 0.61).

During 2006, the Company concluded a physical inventory of machinery, equipment and installations and, as a result, wrote off US\$ 8. Interest capitalized on construction in progress in each of the periods was: 2006 - US\$ 11; 2005 - US\$ 5 and 2004 - US\$ 4.

### 11. Short-term Debt

Short-term debt represents commitments under recourse provisions to honor export receivables transferred to banks accounted for as secured borrowings (ACEs), bearing an annual average interest rate of 5.5% at December 31, 2006 (2005 - 4.6%). Historically, we have not incurred significant losses in connection with such recourse provisions.

# Votorantim Celulose e Papel S.A.

## Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

### 12. Long-term Debt

	Interest rate December 31, 2006	2006	2005
<b>Third parties</b>			
In U.S. dollars			
Export credits (prepayment)	LIBOR + 0.67%	873	936
Others			1
<b>Total third parties</b>		<b>873</b>	<b>937</b>
<b>Related parties</b>			
In U.S. dollars			
VOTO III loan	7.88%	41	41
VOTO IV loan	7.75%	200	201
<b>In Reais</b>			
Banco Nacional de Desenvolvimento Econômico e Social ("BNDES")			
TJLP	TJLP + 3%	160	158
UMBNDDES	various currencies + 3.6	25	27
<b>Total related parties</b>		<b>426</b>	<b>427</b>
<b>Total debt</b>		<b>1,299</b>	<b>1,364</b>
Less: current portion		(170)	(79)
<b>Long-term portion</b>		<b>1,129</b>	<b>1,285</b>

- LIBOR (London Interbank Offered Rate) at December 31, 2006 was 5.37% p.a. (2005 - 4.69%).
- TJLP ("Taxa de juros de longo prazo"), a long-term interest rate fixed quarterly by the Brazilian Central Bank. At December 31, 2006, the TJLP was 6.85% p.a. (2005 – 9.75%)
- The UMBNDDES is a weighted average rate based on the exchange rates in a basket of currencies, predominantly U.S. dollars, held by BNDES.

#### A) Export credits (prepayment)

In September 2006 we signed an Export Prepayment Facility Agreement with a pool of banks (ABN Amro Bank, Banco Santander Central Hispano and Banco Bradesco) in an aggregate amount of US\$ 550 at LIBOR plus 0.57%. Payments are due from 2007 through 2014 in installments to match export shipments. The financing are guaranteed by export contracts. The proceeds of the Agreement were used to prepay the following then outstanding Export Prepayment loans: (i) agreements dated May and July 2004 with ABN Amro Bank N.V., Banco Santander Central Hispano and Banco Bradesco in the aggregate amount of US\$ 350 at LIBOR plus 2.00% due through 2011 in installments to match export shipments; and (ii) various other agreements including those executed during 2006.

In July 2006, our wholly-owned subsidiary VCP Overseas Holding KFT, signed an Export Prepayment Agreement with a syndicate of banks in an aggregate amount of US\$ 375 at LIBOR plus 0.57%. Payments are due from 2007 through 2014 in installments to match export shipments. The financing are guaranteed by export contracts. The proceeds were used to purchase from the lender and convert into an inter-company loan the following then outstanding Export Prepayment loans: (i) agreements dated May 2005 with ING Bank N.V. and Bayerische Hypo and Vercinsbank in an aggregate amount of US\$ 150; (ii) agreement dated July 2005 with Banco Santander Hispano London Branch in an aggregate amount of US\$ 100; and (iii) outstanding loans in the aggregate of US\$ 125 with Banco Santander Central Hispano and BNP Paribás that are part of the agreement dated March 2005.

## Votorantim Celulose e Papel S.A.

### Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

#### B) VOTO III Loan

In January 2004, Votorantim Participações S.A. ("VPAR"), our ultimate controlling shareholder formed VOTO III, a company based in the Cayman Islands, for the sole purpose of raising funds. VOTO III issued US\$ 300, 7.875% Bonds due 2014 in the international market. We received 15% of the total amount issued or US\$ 45 for which we are the guarantors.

#### C) VOTO IV loan

In July 2003, together with VPAR, we formed VOTO II, a 50% owned affiliated company based in the Cayman Islands, for the sole purpose of raising funds. VOTO II issued US\$ 250, 5.75% Bonds due in June 2005 in the international market, under Regulation S and on-lent US\$ 125 to each of St. Helen III (our consolidated subsidiary) and St. Helen II (owned by VPAR). Together with VPAR and Cimento Rio Branco S.A., a company also under common control of our shareholder VPAR, we are the guarantors for this operation. The loan was fully repaid by St. Helen III to VOTO II on June 27, 2005 with the proceeds of the loan from VOTO IV.

On June 24, 2005 VOTO IV, a wholly-owned subsidiary of VPAR, issued US\$ 400, 7.75% Fixed Rate Notes due 2020 in the international market, under Rule 144A and Regulation S. VCP is a guarantor of 50% of the debt issued by VOTO IV and in turn received US\$ 200 of the proceeds. On September 6, 2005, we acquired a 50% interest in VOTO IV and together with VPAR we are the guarantors for this operation. From the proceeds of US\$ 200, US\$ 125 was used by St. Helen III to repay the debt incurred with VOTO II.

#### D) BNDES

On May 20, 2005, we signed a financing agreement with BNDES for a total equivalent to US\$ 93 for the purpose of financing acquisition of timberlands. Part of the loan, equivalent to US\$ 79, bears interest at TJLP plus 4.5% per annum. The remaining balance is indexed to the UMBNDES plus 4.5% per annum and carries annual interest of 10.01%. This financing will mature in July 2015. VCP has drawn down US\$ 48 to date. We have other outstanding financing agreement with BNDES amounting to US\$ 112 at December 31, 2006.

#### E) Other guarantees

The BNDES loans are secured by property, plant and equipment and a lien on certain land and personal guarantees of an owner of VPAR.

#### F) Long-term debt maturities

At December 31, 2006, the long-term position of long-term debt maturities is as follows:

2008	81
2009	83
2010	92
2011	295
2012	201
After 2012	377
	<b>1,129</b>

# Votorantim Celulose e Papel S.A.

## Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

### G) Covenants

We are subject to a number of material affirmative and negative covenants including, among others: limitations on our ability to incur debt; limitations on the existence of liens on our properties; limitations on transactions with related parties, which generally must be on terms no less favorable than those that could be obtained in a comparable arm's-length transaction; and maintenance of certain financial ratios calculated based on Brazilian GAAP. We were in compliance with all covenants during each period presented.

## 13. Related Parties

Balances and transactions with related parties are as follows:

	Nature and business purpose of transactions	2006	2005
Cash, cash equivalents and available for sale	Surplus cash funds invested with Votorantim Group financial institutions		
Banco Votorantim S.A.		325	576
FIDC – Cia Nitroquímica Brasileira		4	
Unrealized losses from cross currency interest rate swaps	Arising from swap contract transactions in which the Votorantim Group financial institution acts as counter - party		
Banco Votorantim S.A.		(91)	(54)
Long-term loans	Loans from related parties		
Votorantim Group			
VOTO III		41	41
VOTO IV		200	201
BNDES (shareholder)		185	185
Trade payables from related parties Ripasa	Purchases of wood, pulp and paper	43	12

Revenue, income and expenses from transactions with related parties were as follows:

	2006	2005	2004
Purchases from Ripasa	75		
Financial income	70	52	35
Financial expenses	90	115	53

Financial income arises from loans made to related parties and investments made in Banco Votorantim S.A.; and financial expenses represent mainly losses on cross currency interest rate swaps, including their respective fair values.

## Votorantim Celulose e Papel S.A.

### Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

## 14. Financial Instruments

We primarily use cross currency interest rate swap contracts and Brazilian Government bonds indexed to the U.S. dollar to hedge our U.S. dollar denominated debt. By entering into these contracts or purchasing Brazilian Government bonds, we partially protect ourselves from the effects of unfavorable exchange movements. Accordingly, if the *Real* devalues against the U.S. dollar and results in a foreign exchange loss, we are at least in part protected by an offsetting gain from the swap contracts.

The fair values of our long-term and short-term debt were estimated based on available quoted rates for loans of substantially similar terms and maturities.

The fair values of our cross currency interest rate swap contracts were estimated based on quoted market prices of comparable contracts. At December 31, 2006 and 2005 the notional amounts of our outstanding cross currency interest rate swap contracts were US\$ 480 and US\$ 564, respectively and their fair values of US\$ 8 and US\$ 15, respectively. The actual cash settlements on the contracts occur at times specified in each agreement.

The carrying amounts and fair values of our financial instruments at December 31 were as follows:

	2006		2005	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	405	405	261	261
Available for sale securities				
Securities tradable			207	207
Brazilian Government Bonds denominated in U.S. dollars			155	155
Credit linked notes	294	294	30	30
Foreign Government Bonds denominated in Reais	67	67	54	54
FIDC	4	4		
Unrealized losses from cross currency interest rate swaps	(94)	(94)	(77)	(77)
Short-term debt	242	242	132	132
Long-term debt	1,299	1,329	1,364	1,371

## 15. Commitments and Contingencies

We are party to certain legal proceedings in Brazil arising in the normal course of business, and have made provisions when we believe that we can reasonably estimate probable losses. In connection with some of these proceedings we have made deposits (in "Other assets") which will only be released to us upon a judgment in our favor. The position of such provisions for tax and other litigation and deposits is as follows:

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## Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

	2006		2005	
	Deposits	Provisions	Deposits	Provisions
Tax-related	92	133	83	157
Labor-related	5	13	4	11
Civil-related		6		4
	<b>97</b>	<b>152</b>	<b>87</b>	<b>172</b>

The activity in our provision account was as follows:

	2006	2005	2004
At beginning of year	172	104	56
Provisions for new legal proceedings	11	54	45
Reversal (iv)	(47)		
Translation adjustment	16	14	5
Amounts paid to settle litigation			(2)
At end of year	<b>152</b>	<b>172</b>	<b>104</b>

### A) Tax-related

We have instituted a number of legal proceedings which we are seeking a refund or contesting the imposition of certain taxes. The more significant of these proceedings are as follows:

(i) In 1999, we filed a lawsuit challenging the 1% increase in the COFINS (Social Contributions on Revenues) tax rate (from 2% to 3%), a tax on revenues. Although we have obtained a legal injunction, based on advice from our legal counsel and reflecting rulings by the Federal Supreme Court, we accrued US\$ 55 relating to this claim, from 2002 through 2004. In December 2005 we made a judicial deposit of US\$ 55 following an unfavorable decision of the Supreme Court.

(ii) During 2002, we filed a lawsuit challenging the inclusion of the ICMS (Value-added sales tax) in the computation basis for the COFINS tax, relating to the period from 1996 to 2003, as well as our deductibility of recoverable ICMS originated from raw material used for tax exempt paper products. We have accrued and deposited US\$ 26 relating to this claim.

(iii) In 1996, we filed a judicial claim to assure our right to the deductibility of inflation-indexed depreciation (an uplift of 70%) arising from a government economic stabilization program in January 1989. We obtained a favorable decision enabling the partial deduction of an uplift of 43%. Based on advice from our legal counsel, we have accrued US\$ 7 relating to this claim.

(iv) In 1998, Brazilian Law 9718/98 was enacted which increased the base for both PIS and COFINS for 1999 (applying to other revenue lines and not only billings), while at the same time, increasing the rate for COFINS. On June 23, 2006 and August 29, 2006, we received unappealable favorable rulings for separate legal cases related to our challenge that the payment of Social Contributions on Revenues (PIS and COFINS) on other revenues (primarily on financial income) was inappropriate. As a result, in 2006 we reversed US\$ 47 in the statement of income as "financial income".

### B) Other unprovided possible losses

VCP is party to a substantial number of other legal proceedings in the normal course of its business involving possible risk of loss, in addition to the lawsuits and administrative proceedings discussed above.

Management does not believe that such legal proceedings will, individually or in the aggregate, have a material adverse affect on our business, results of operations or financial condition, and therefore, no provisions have been recorded based on management's assessment of the probability of loss.

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These possible losses, at December 31, are as follows:

	2006	2005
Tax-related	196	112
Civil-related	8	13
Labor-related	12	11
	<b>216</b>	<b>136</b>

### C) Sale of affiliate

In 1999, we sold our 51% interest in Indústria de Papel de Salto Ltda. Under the terms of the sale, we have indemnified the purchaser against certain losses in excess of amounts recorded limited to US\$ 6 through 2007. No amounts have been paid under this indemnification in 2006 and 2005 and we believe such amounts if ultimately paid, if any, will not be significant.

### D) Commitments

We do not maintain insurance for our forests; rather, our policy is to self-insure against fire, disease and other risks to our forests. We have taken measures to mitigate these risks, but any losses from damage outside of our control would be for our own account.

We provide guarantees to banks, not in excess of 180 days, although in exceptional cases, this is extended to 360 days, which finance sales to certain of our selected customers. We recognize revenue on these sales at the time our products are delivered which is the time we transfer title to our customers. Under the vendor program we are the secondary obligor to the bank and monitor the amount due from the customer to the bank. We periodically review the adequacy of our allowance for estimated losses and adjust our allowance accordingly. At December 31, 2006, customer guarantees provided by us totaled US\$ 120, including interest (US\$ 57 at December 31, 2005). Our guarantees are usually secured by the personal guarantee of the customer's owner.

We lease timberlands under operating leases from third parties as a source for raw material for our products. The leases, most of which commenced in 1991, are typically for a term of 21 years. Lease payments, equal to 30% of the market value of the timber harvested on the property, are payable after each harvest. We guarantee to the lessor a minimum harvest payment. Payments under these operating leases were US\$ 2 in 2006 and US\$ 2 in 2005 and US\$ 1 in 2004. At December 31, 2006, future minimum lease payments are due in 2007 total US\$ 2.

At December 31, 2006, future minimum operating lease payments were as follows:

2008	2
2009	2
2010	2
2011	2
2012	2
After 2012	2
	<b>12</b>

We have commitments for capital expenditures amounting to US\$ 17 at December 31, 2006.

We have long-term "Take-or-Pay" contracts with suppliers of chemical products for periods from 1 to 10 years. The contractual obligations in connection with such contracts are US\$ 38 per year.

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## Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

The following is a summary of guarantees issued to other companies of the Votorantim Group:

Primary obligor	Obligations	Beneficiary	Outstanding guarantee amount	
			2006	2005
VOTO III	US\$ 300 notes issuance	Noteholders and the trustee	45	45
VOTO IV	US\$ 400 notes issuance	Noteholders and the trustee	200	200

## 16. Segment Information

### A) Segment information

The following information about segments is based upon information used by our senior management to assess the performance of our operating segments and decide on the allocation of resources. This approach is required by SFAS 131, "Disclosure about Segments of an Enterprise and Related Information," and has been applied for all periods presented. Our paper and pulp operations are based solely in Brazil. Intersegment revenues are accounted for at amounts which approximate those that would be obtained in a sale to third parties.

The accounting policies underlying the financial information provided for the segments are based on Brazilian GAAP. We evaluate segment performance information generated from the statutory accounting records, except for the effects of our affiliates Aracruz and Ripar which are proportionally consolidated in our Brazilian GAAP financial statements but are not included in information used by our senior management to assess the performance of our segments. The local currency information related to statement of income data has been translated to U.S. dollars, for convenience purposes, at the average rate of each year presented. The information as at the balance sheet dates has been translated at the respective year-end exchange rates.

	2006	2005	2004
<b>Net operating revenue - Brazilian GAAP</b>			
Pulp	520	440	385
Paper	803	704	634
<b>Reconciling item to US GAAP</b>			
Pulp	(1)	(1)	
Paper	(5)	(13)	(9)
<b>Total net operating revenue - US GAAP</b>	<b>1,317</b>	<b>1,130</b>	<b>1,010</b>
Intersegment sales of pulp to paper segment	254	249	214
<b>Net operating revenue before intersegment sales eliminations - US GAAP</b>	<b>1,571</b>	<b>1,379</b>	<b>1,224</b>

# Votorantim Celulose e Papel S.A.

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	2006	2005	2004
<b>Depreciation and depletion expense – Brazilian GAAP</b>			
Pulp	127	89	69
Paper	68	31	23
<b>Reconciling items to US GAAP</b>			
Pulp	(2)	(2)	(2)
Paper		(1)	(1)
<b>Depreciation and depletion expense - US GAAP</b>	<b>193</b>	<b>117</b>	<b>89</b>

There are certain differences between the methodologies we use to determine the operating profit shown in the following table and operating profit reported in our US GAAP statement of income. For segment reporting purposes we defer start-up costs of new facilities and amortize them against operating profit over the subsequent 10 years. We allocate depreciation to segments based on property, plant and equipment amounts which have been indexed for inflation, rather than the historical *Real* amounts. Also, we depreciated our machinery, equipment and installations over 10 years up to December 31, 1996, over 25 years up to December 31, 2005 and over 18.25 years thereafter.

These differences are reconciled as follows:

	2006	2005	2004
<b>Segment operating income - Brazilian GAAP</b>			
Pulp	200	155	177
Paper	124	113	150
Operating income under Brazilian GAAP	324	268	327
<b>Reconciling items to US GAAP</b>			
Depreciation and amortization expense			
Pulp	2	2	2
Paper	2	1	1
Other adjustments			
Pulp	(21)	(10)	1
Paper	(22)	(14)	(6)
<b>Total pulp</b>	<b>181</b>	<b>147</b>	<b>180</b>
<b>Total paper</b>	<b>104</b>	<b>100</b>	<b>145</b>
<b>Operating income - US GAAP</b>	<b>285</b>	<b>247</b>	<b>325</b>
<b>Segment assets</b>			
Pulp	1,332	1,167	943
Paper	556	513	433
<b>Total segment assets per Brazilian GAAP</b>	<b>1,888</b>	<b>1,680</b>	<b>1,376</b>
<b>Reconciling items to US GAAP</b>			
Pulp	37	44	41
Paper	20	34	26
<b>Total pulp</b>	<b>1,369</b>	<b>1,211</b>	<b>984</b>
<b>Total paper</b>	<b>576</b>	<b>547</b>	<b>459</b>
<b>Property, plant and equipment - US GAAP</b>	<b>1,945</b>	<b>1,758</b>	<b>1,443</b>
<b>Capital expenditures per Brazilian GAAP</b>			
Pulp	198	188	178
Paper	50	54	36
<b>Reconciling items to US GAAP</b>			
Capitalized interest			
Pulp	2	4	3
Paper	0	1	1
<b>Total capitalized interest</b>	<b>2</b>	<b>5</b>	<b>4</b>
<b>Total pulp</b>	<b>199</b>	<b>192</b>	<b>181</b>
<b>Total paper</b>	<b>49</b>	<b>55</b>	<b>37</b>
<b>Capital expenditures - US GAAP</b>	<b>248</b>	<b>247</b>	<b>218</b>

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## Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

### B) Export sales by region

The following table includes our sales made directly to unaffiliated customers (the final customers) as well as our sales made to Votorantrade N.V. and related parties (also a member of the Votorantim Group) to the final customers. Sales are classified by region based on the location of the customer.

	2006		2005		2004	
	Paper	Pulp	Paper	Pulp	Paper	Pulp
Europe	54	292	50	243	45	164
Middle East and Asia	5	127	10	120	9	150
North America	57	46	54	39	53	37
South America, other than Brazil	49		44		33	
Africa	2		5	1	4	3
	<b>167</b>	<b>465</b>	<b>163</b>	<b>403</b>	<b>144</b>	<b>354</b>

## 17. Shareholders' Equity

Our by-laws require that we pay a dividend to our common and preferred shareholders of at least 25% of our annual net distributable income determined in accordance with Brazilian Corporate Law. Preferred shareholders are entitled to receive a dividend per share 10% higher than that paid to common shareholders. In 2006, 2005 and 2004 we paid dividends in excess of the mandatory amount.

The preferred shareholders may not vote at shareholders meetings but have priority in repayment of their capital, in the case of liquidation.

In accordance with the Brazilian Corporate Law and our by-laws we are required to make annual appropriations to certain reserves ("Appropriated retained earnings"). These comprise mainly (a) 5% of the net income in our statutory accounts which must be transferred to a legal reserve until such reserve reaches 20% of our share capital and (b) appropriation to an investment incentive reserve of an amount equal to income tax abatements related to income generated from investments in certain underdeveloped regions of Brazil. The legal and investment incentives reserves cannot be used to distribute dividends to our shareholders.

Brazilian companies are permitted to pay limited amounts of interest attributable to capital to shareholders and treat such payments as an expense for Brazilian income and social contribution tax purposes. This notional interest distribution is treated for accounting purposes as a deduction from shareholders' equity in a manner similar to a dividend. Interest attributable to capital is treated as a dividend for purposes of the mandatory dividend payable. A 15% tax is withheld and paid by upon credit of the interest.

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The devaluation of the *Real* impacts the amount available for distribution when measured in U.S. dollars. Amounts reported as available for distribution in our statutory accounting records prepared under Brazilian GAAP will decrease or increase when measured in U.S. dollars as the *Real* depreciates or appreciates, respectively, against the U.S. dollar. The devaluation of the *Real* results in net foreign exchange losses which are included in the statement of income determined under Brazilian GAAP and which reduces the amount of unappropriated earnings available for distribution. Brazilian law permits the payment of dividends only in *Reais* limited to the unappropriated retained earnings in our financial statements prepared in accordance with Brazilian GAAP. At December 31, 2006, we had unappropriated retained earnings of R\$ 1,761 million (2005 - R\$ 1,469 million) in our statutory books, equivalent, at the exchange rate at December 31, 2006, to US\$ 824 (2005 - US\$ 628).

Dividends paid per shares in U.S. dollars were as follows:

	2006	2005	2004
Preferred	0.80	0.45	0.58
Common	0.72	0.41	0.52

In accordance with VCP's dividend policy, VCP intends to pay dividends and/or interest attributable to capital based on 60% of its "free operating cash flow." Free operating cash flow is expected to be an amount equal to net income, as adjusted by the sum of (1) non – cash items such as depreciation, amortization, unrealized foreign exchange gains (losses) and equity gain (loss) of affiliate, and (2) net financial income (expense) and income and social contribution taxes effectively paid, and reduced by (3) the sum of changes in working capital required in the business and capital expenditures. The computation is based upon VCP's financial statements prepared in accordance with Brazilian GAAP.

On October 18, 2004, the Extraordinary General Meeting approved the following proposals:

(i) an increase of subscribed capital stock, from US\$ 1,320 to US\$ 1,838, by means of capitalization of part of unappropriated retained earnings without issue of new shares; (ii) a reverse stock split dividing the entire subscribed capital of the Company, by 200 resulting in 191,613,498 shares, of which 105,702,452 are shares of common stock and 85,911,046 are shares of preferred stock; and (iii) a reverse split of our American Depositary Shares - ADSs traded on the New York Stock Exchange, each of which had previously represented 500 preferred shares, to represent one preferred share per ADS.

## 18. Concentration of Credit Risk

We are potentially subject to credit risk with respect to our cash equivalents, held-to-maturity investments, available for sales securities, trade receivables, guarantees provided to banks which finance our customers, and derivative contracts. We limit our risk associated with cash equivalents and available for sales securities by placing our investments with highly rated financial institutions and we only take out derivative contracts with financially sound counter-parties. With respect to trade receivables and guarantees, provided to banks financing our customers, we perform initial and ongoing credit evaluations of our customers and, when deemed necessary, obtain collateral or letters of credit to protect our interests. Additionally, most of our export sales to the USA and Europe are secured by letters of credit. We establish an allowance for doubtful accounts against receivables we believe will not be fully collected.

# Votorantim Celulose e Papel S.A.

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## 19. Financial Income and Financial Expense

	2006	2005	2004
<b>Financial income</b>			
Gain on:			
Available for sale securities	62	22	
Held-to-maturity securities		13	15
Reversal of contingency provision (Note 15 (a)(iv))	47		
Interest income on cash equivalents	37	32	39
Other (including taxes) and present value adjustment	16	5	(18)
Interest income on credit sales	4	7	4
	<b>166</b>	<b>79</b>	<b>40</b>
<b>Financial expenses</b>			
Interest and charges on U.S. dollar debt	91	62	39
Interest and charges on <i>Real</i> debt	15	16	16
Tax on checking accounts - CPMF	9	10	7
Indexation and interest charges on contingencies	6	17	
Other	27	14	7
	<b>148</b>	<b>119</b>	<b>69</b>

## 20. Retirement benefits

### A) Defined contribution plan

In March 2000 we began co-sponsoring a multi-employer defined contribution plan of the Votorantim Group which is available to all of our employees. For employees below a certain income level we match the employee's contribution limited to 1.5% of the employee's compensation. For employees above that income level we match the employee's contribution up to 6% of the employee's compensation. At our option we may also make additional contributions. Our contributions vest in varying percentages depending on the employee's years of service and will fully vest upon the employee's retirement, death or disability, provided the employee has at least one year of service. Our contributions were US\$ 3 in 2006, US\$ 2 in 2005 and US\$ 2 in 2004.

### B) Post-retirement benefits

The Company has an actuarial liability that relates to its proportion of the costs of Sepaco, a hospital facility we share with co-sponsors. Although the not-for-profit hospital is funded by multiple-employers, it has no separate assets and its costs are apportioned among the sponsors based on usage. Contributions paid to the hospital in the year ended December 31, 2006

## Votorantim Celulose e Papel S.A.

### Notes to the Consolidated Financial Statements In millions of U.S. dollars, unless otherwise stated

and 2005 amounted to, US\$ 1 and US\$ 1, respectively and the accumulated post-retirement benefit obligation and accrued benefit cost (no plan assets) was US\$ 24 at December 31, 2006 and US\$ 21 at December 31, 2005.

Measurement of obligations for the post-retirement benefits plan is calculated as of December 31, 2006. The discount rates used to determine the actuarial present value of projected benefit obligations under such plans were 8.5% as of December 31, 2006. The assumed weighted annual average rate of increase in health care cost trend on covered changes was 3.0% as of December 31, 2006.

Based on the report of our independent actuary, the accumulated post-retirement benefit obligation and accrued benefit cost (no plan assets) was US\$ 24.

	2006 Percentage	2005 Percentage
<b>Weighted-average assumptions as of December 31, 2006</b>		
Discount rate	8.5	8.5
Health care cost trend on covered changes	3.0	3.0
	US\$	US\$
<b>Components of net periodic benefit cost for 2007</b>		
Interest cost	3	2
<b>Total net periodic benefit cost (benefit)</b>	<b>3</b>	<b>2</b>

It has been assumed, for measurement purposes, that health care cost trends for 2007 will not be considerably different from 2006. Our actuaries are unable to project the direction and pattern of changes in both the assumed and ultimate trend rates, nor can they estimate when the rates are expected to be achieved. A one-percentage-point change in assumed health care cost trend rates would have the following effects in 2006 (all other assumptions have been held constant):

	One-percentage- point increase	One-percentage- point decrease
<b>Sensitivity of retiree welfare results</b>		
On total service and interest cost components	0.3	(0.3)
On post-retirement benefit obligation	2.7	(2.5)

## 21. Subsequent Events

On January 2, 2007, the Company transferred to a new entity, LA Celulose e Papel Ltda. ("LA"), the net assets, including timberland, of its pulp and paper plant located in the city of Luiz Antonio (state of São Paulo).

LA was created by the Company specifically to give effect to the asset exchange transaction that is expected to be concluded by February 1, 2007, upon the completion of certain procedures agreed between the parties (Note 4(b)).

## Board of Directors

José Roberto Ermírio de Moraes – Chairman  
Fábio Ermírio de Moraes – Deputy Chairman

Clóvis Ermírio de Moraes Scripilliti  
Carlos Ermírio de Moraes  
José Luciano Duarte Penido

## Executive Board

José Luciano Duarte Penido – Chief Executive Officer  
Valdir Roque – Chief Financial Officer and IR Director  
Luiz Carlos Ganzerli  
Sergio Marnio Gandra Vaz  
Francisco Fernandes Campos Valério  
José Maria de Arruda Mendes Filho  
Antonio Sérgio Pinzan de Almeida  
Carlos Roberto Paiva Monteiro  
Marcelo Strufaldi Castelli

Adjarbas Guerra Neto - Accountant CRC 1SP196107/O-3

## Audit Committee

João Carlos Hopp  
Miguel Roberto Gherrize  
José Carlos Brito

